

**ATTAINMENT OF COMPETITIVE ADVANTAGE BY THE  
EXPORTER-IMPORTER DYAD:  
THE ROLE OF EXPORT OFFERING AND IMPORT OBJECTIVES**

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**ABSTRACT**

Although experience shows that the exporter and importer jointly contribute towards the attainment of competitive advantage, past studies have separately examined export-related characteristics or import barriers. This article identifies a subset of critical factors that illustrate how the exporter-importer dyad creates and maintains competitive advantage. Based on a sample of Greek importers, a path analytic model was developed that empirically demonstrates that product technology sophistication, product and service quality and importer strategic objectives are important for the attainment of competitive advantage while price competitiveness and trust upon the exporter are not.

**Keywords:** Exporter-Importer Dyad, Product Technology Sophistication, Exporter Trust, Competitive Advantage, International Markets

# **ATTAINMENT OF COMPETITIVE ADVANTAGE BY THE EXPORTER-IMPORTER DYAD: THE ROLE OF EXPORT OFFERING AND IMPORT OBJECTIVES**

## **1. Introduction**

Despite the widespread interest in the formation of close, collaborative relationships, there is still little understanding of how strategic outcomes are achieved in the supplier-buyer dyad (Jap, 2001). This is nowhere more evident than in the case of international exchanges where the emphasis has been placed on exporters rather than on importers who are in the market frontline and therefore play an important role in the attainment of competitive advantage (Katsikeas and Dalgic, 1995; Liang and Parkhe, 1997). In this article, we identify a subset of critical factors highlighted by previous research that illuminates the *manner* by which exporters and importers (i.e., the E-I dyad) jointly create and maintain competitive advantages. The critical subset we examine contains specific export offering aspects (product and price) that are considered central elements of supplier performance (Doney and Cannon, 1997: 42) and importer objectives, since a strategic fit is required between imports and the overall goals of the importing organization (Bergen *et al.*, 1992).

This article makes the following contributions to our understanding of attainment of competitive advantages across international markets. First, we jointly consider specific export and import strategic variables demonstrating that both are necessary in explaining success. Second, we identify the interplay between these variables and their relative impact on success. Third, we examine how trust in the exporter, a major behaviour-related element in the E-I dyad relationship, is affected by the critical subset of factors we examine and if such trust affects the attainment of competitive advantage.

We have selected as unit of analysis the individual product-market venture in a manner similar to established procedures in export marketing literature (Cavusgil and Zou, 1994).

## **2. Theoretical Framework and Hypotheses**

The increased value creation potential achieved by pooling partner resources leads to the formation of strategic alliances in the shape of E-I dyads (Das and Teng, 2000). Partner resource alignment directly affects collective strengths, which in turn contribute to alliance performance. Therefore, in the following sections we develop our hypotheses based on the contributions of the E-I dyad partners towards the achievement of competitive advantage.

### **2.1 Export Offering Issues**

A product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or a need. Product aspects are central evaluation criteria regarding supplier performance by buying firms (Doney and Cannon, 1997). Previous research suggests that international marketing managers considered product-related variables as having the largest impact on the degree of export success (Baalbaki and Malhorta, 1995). This is echoed in Samiee and Roth (1992) whose sample of export firms universally emphasized the importance of product-related components for the achievement of international firm success, irrespective of their product customization or standardization strategy. Past research has viewed export offering-related success in international markets with respect to the more obvious aspects of the product such as its features, design, packaging, labelling, and branding (e.g., Oackley, 1989). Past research has also examined *product* sophistication,

technology intensity and manufacturing sophistication (e.g. Kirpalani and MacIntosh, 1980).

Product technology and its sophistication, often considered as one of the most important “hidden” product elements, has received relatively little attention despite its increasing importance (e.g., Tesar and Moini, 1998) and relevance to a firm’s international product strategy (e.g., Atuahene-Gima, 1995). Yet, its definition appears to be unclear. While Bello and Lohtia (1995) considered sophistication and complexity as items that *jointly* define a product factor, Bello and Gilliland’s (1997) product complexity factor consisted of items that *included* product sophistication, technology intensity and greater industrial processing. At the same time, Cavusgil and Zou (1994) developed a product technical complexity factor that comprised of items such as strength of the patent, product intensity (i.e., a technological intensity related element), amount of training needed by sales people and product service characteristics. Nevertheless, this factor was not included in their final model that measured export marketing performance. As explained by John *et al.* (1999:79), “technology” is the scientific “know-how” (e.g., Capon and Glazer, 1987; Quinn *et al.*, 1997) embodied in a product’s functionality and manufacturing processes. Consistently with this view, we expect that an advanced technological “know-how” results in Product Technological Sophistication (PTS) which is demonstrated by a more innovative and technologically intensive product, likely to be created through greater industrial processing.

Product innovations give a product a distinct competitive advantage in the marketplace (Abernathy and Clark, 1985). Nonetheless, empirical evidence exists that innovative firms may not be the most successful exporting firms, but this is probably due

to a size-related barrier. Kirpalani and Macintosh in their 1980 article found a very modest negative association between product sophistication and export success for small technology-oriented firms (p. 86). Wakelin (1998) also found that smaller innovative firms were less likely to export than the equivalent non-innovative firms, but she observed that among larger firms the more innovative were more likely to export. Further, Basile (2001) using a sample stratified by size, found that the export intensity of innovating firms is systematically higher than that of non-innovating firms (1185; 1193). Also, Bello and Gilliland (1997) found a link between technological intensity (measured by the degree of a product's technical nature) and greater industrial (manufacturing) processing (measured by the degree of engineering content) and export channel performance.

As an importer's vendor choice depends upon product-related factors (Hakansson and Wootz, 1975), importers indeed pursue an active import sourcing strategy for attainment of competitive advantage when they see benefits in product technology (Monczka and Trent, 1991). From an international joint venture perspective, similar findings have emerged: strong emphasis on R&D, technological leadership and innovation have a major impact on the venture's performance (Li and Atuahene-Gima, 2001). In the case of performance implications from international sourcing, Kotabe and Murray (1990) also found that a high level of product innovation when backed simultaneously by a high level of manufacturing process innovations provide by far the strongest competitive advantage. Given that we examine product technology sophistication for existing exporter-importer dyads, we hypothesize that:

*H1a: A higher level of product technological sophistication increases the likelihood for the E-I dyad to attain competitive advantage.*

Cavusgil and Zou (1994) found that manufacturers in technology intensive industries provide increased support to foreign distributors/subsidiaries so that the product can be handled, marketed, and serviced properly (p. 12); their results are consistent with McGuinness and Little (1981). A product technology advantage may be of little importance without higher product and service quality characteristics (Cavusgil and Kirpalani, 1993). Birou and Fawcett (1993) also found product and service quality characteristics to positively influence the decision to import. Moreover, delivery and product/service performance are central to buying firms' evaluation of supplier performance (Wilson, 1985). Hence:

*H1b: A higher level of product technological sophistication increases the likelihood of higher product and service quality characteristics.*

*H1c: A higher level of product and service quality characteristics increases the likelihood for the E-I dyad to attain competitive advantage.*

Due to possible need to quickly recover large investments, firms in today's technology and competition intensive industries are likely to adopt a competitive pricing strategy in export ventures (e.g., Cavusgil and Zou, 1994; Ohmae, 1989). In addition, increased product quality and exceptional service levels enhance the value of the product delivered leading to a more favourable impression of pricing terms. Thus:

*H1d: A higher level of product technological sophistication increases the likelihood of higher price competitiveness.*

*H1e: A higher level of product and service quality characteristics increases the likelihood of higher price competitiveness.*

It was shown in the early eighties that competitive export price levels were positively related to export performance (Kirpalani and MacIntosh, 1980). However, more recently, Cavusgil and Zou (1994) found a non-significant relationship between price competitiveness and export marketing performance. Tesar and Moini (1998) also found that price competitiveness is no longer a discriminating factor between non-exporters and exporters. Thus:

*H1f: A higher level of price competitiveness has no discernible effect upon the E-I dyad to attain competitive advantage.*

## **2.2 Importer Objectives**

The success of the E-I dyad's effort towards attainment of competitive advantage will largely depend upon the congruence of partners' goals (Jap, 2001). In the domain of international exchange this necessitates that the buyer considers importing as a core strategic element. The importer's anticipation for growth and efficiency gains through imports is likely to increase commitment of its resources to the import venture, firmly establishing goal congruence between members of the E-I dyad enabling the dyad to compete more effectively in the marketplace. The motivations underlying global sourcing are more strategic, proactive and long-term, where competitive advantage is sought by integrating the procurement function with a firm's global strategy (Liang and Parkhe, 1997). Typical of such import motivations are access to advanced technology, worldwide product and service quality improvement, and sales volume expansion leading to economies of scale of operations (Liang and Parkhe, 1997: p. 504). The above implies that the E-I dyad's attainment of competitive advantage depend on imports being a strategic objective for the importer. In addition, several studies identified



lower cost as a critical factor for import motivation (e.g., Birou and Fawcett, 1993; Min and Galle, 1991). We hypothesize that:

*H1g: Setting imports as a corporate objective increases the likelihood for the E-I dyad to attain competitive advantage.*

*H1h: A higher level of product technological sophistication increases the likelihood of the buyer setting imports as a corporate objective.*

*H1i: A higher level of product and service quality characteristics increases the likelihood of the buyer setting imports as a corporate objective.*

*H1j: A higher level of price competitiveness increases the likelihood of the buyer setting imports as a corporate objective.*

## **2.3 Effects upon trust**

Since customer-company relationships require trust (Berry and Parasuraman, 1991), trust is a central behaviour-related concept in the overall E-I dyad relationship and a “cornerstone of the strategic partnership” (Spekman, 1988: 79). Anderson and Narus (1990) found that actions taken by firms in interdependent relationships are causal antecedents to trust (p. 45 and 48). Thus, exporter actions that improve service performance (e.g., provision of warranty, easy ordering and transport process, as well as sales support) are likely to result in greater trust upon the exporter by the concerned importers. The attainment of superior quality levels for export products is also likely to build confidence in the exchange partner’s reliability and integrity (Morgan and Hunt, 1994), thus increased trust upon the exporter.

Increased PTS makes marketing and market serving tasks more complicated and places increased demands on available resources (Cavusgil and Zou, 1994). There

might be additional tasks to perform including further education of the local market partners and customers (Chryssochoidis and Wong, 2000). Sophisticated technology may also imply a larger number of technical support issues raised by the local market customers and greater likelihood of technical failures (Chryssochoidis and Wong, 2000). Thus, product technology advantage will help little to build up the importer's trust upon the exporter without improving product quality and service characteristics. This implies that while there is no direct link between PTS and trust, quality and service issues mediate PTS' effect upon trust. Hence:

*H2a: A higher level of product technological sophistication has no discernible effect upon exporter trust.*

*H2b: A higher level of product and service quality characteristics increases the likelihood of higher exporter trust.*

Monczka *et al.* (1998) found a negative correlation between price and trust, implying that the lower the price, the higher the trust upon the exporter. Specifically, a buyer's perception that a vendor invests in a relationship provides a signal that the vendor can be trusted (Ganesan, 1994: 5) and will reduce the buyer's suspicion of opportunism by the seller, which is sufficient to damage, and even destroy a relationship (Jap, 2001: 25). Thus, the exporter with a price competitive offering will be seen as investing in the relationship as a fair exchange partner. We consider:

*H2c: A higher level of price competitiveness increases the likelihood of higher trust upon the exporter.*

Morgan and Hunt (1994) contend that increased competitiveness requires high levels of partner cooperation reflected in relationship quality variables such as trust. It may then appear that increased trust upon the exporter will result in increased

competitive advantage. Trust has been found however, to operate in an independent, yet complementary manner to many organizational variables; that is, it facilitates relational processes, but has limited impact on performance (Jap, 1999). Indeed, Aulakh *et al.* (1996) found, in a study of cross-border marketing partnerships, that trust was not significantly related to performance; although trust and performance may be positively related, trust does not have a unique contribution in explaining variance in partnership performance. We hypothesize that:

*H3: A higher level of trust upon the exporter has no discernible effect upon the likelihood for the E-I dyad to attain competitive advantage.*

The theoretical framework and proposed hypotheses are presented in Figure 1.

**[Insert Figure 1 about here]**

### **3. Sample selection**

EU trade figures were used to identify import trade between the focus country (Greece) and about 200 countries and customs' territories. We isolated 315 product sectors at the 8-digit level with import value greater than \$1m, excluding energy-related sectors since they might be regulated. We split our sample of product sectors in two strata with imports greater or less than \$10m and randomly selected 125 importers from each stratum in order to ensure representation of firms from sectors of different value of imports. Upon confirmation that these firms imported the specific item in focus, the person who was the most knowledgeable to supply the necessary information was identified (in most cases the managing director or the purchasing manager) and the questionnaire was faxed. Telephone reminders took place 10 days after initial contact. Two hundred seventeen questionnaires were completed (a response rate of over 85%).

### **4. Data analysis and Results**

#### **4.1 Measure Validation**

The six constructs of the theoretical framework were all but one measured with several indicators using 7-point (1=not at all; 7=very much so) Likert-type scales. PTS was operationalized as intensity of product technology, the degree of industrial processing and product innovativeness (Bello and Gilliland, 1997; Cavusgil and Zou, 1994; Kirpalani and McIntosh, 1980; Samiee and Roth, 1992). Product and service quality characteristics were measured as attainment of superior quality levels for export products, provision of warranty, easy ordering and transport process, timely and reliable product delivery as well as product sales support (Cavusgil and Zou, 1994; Leonidou, 1999). Price competitiveness was measured as attractive prices for the product and attractive prices for transport of the product (Leonidou, 1999). The degree to which imports were set as a corporate objective was measured by the perceived ability to achieve firm growth, economies of scale and additional sales/profits through imports (Cavusgil and Zou, 1994; Leonidou, 1999). Trust upon the exporter was measured with three questions: the exporter is fair and trustful; the exporter helps in urgent circumstances; and the exporter keeps his promises (Doney and Cannon, 1997). The E-I dyad's attainment of competitive advantage used a single-item question that fully encapsulated Jap's (1999) measure of realized competitive advantages in buyer-supplier relationships. Confirmatory factor analysis using EQS was employed to assess individual factor structures and demonstrated that scales were clean with each item exceeding fit indicators (percentage of variance extracted, size of factor loading, and size of residuals) (Table 1). We subsequently conducted a six-construct confirmatory factor analysis and checked, using the Lagrange Multiplier test, for cross-loadings of

individual items upon other latent constructs. No cross-loadings were identified showing evidence of discriminant validity which was also supported by the range of factor correlations (.04 - .42) (Gerbing and Anderson, 1988) (Table 2). We also tested if each indicator's estimated coefficient was significant (greater than twice its standard error). All factor loadings were significant, indicating convergent validity (see Gerbing and Anderson, 1988). Table 1 shows the CFA and reliability analysis results where Cronbach's alpha coefficients exceed .70 across all constructs.

**[Insert Table 1 about here]**  
**[Insert Table 2 about here]**

#### **4.2 Initial and Final Model Results**

The hypothesized model was analysed using path analysis (Loehlin, 1987) with single composite indicators. The assumptions of multivariate normality and linearity were first evaluated. The initial Mardia's Coefficient was 7.56. Thirty-two cases had missing data and were deleted. Using Mahalanobis distance and cases with largest contribution to Mardia's coefficient, six multivariate outliers were additionally detected and deleted ( $p < .001$ ). The independence model that tests the hypothesis that the variables are uncorrelated with one another was rejected (Chi-Square: 133;  $df=15$ ,  $n=179$ ). The hypothesized model exhibited a certain fit with the data (Chi-square: 2.955,  $df=1$ ,  $p < .086$ , Satorra-Bentler Scaled Chi-Square: 2.83,  $p < .093$ ; Bentler-Bonett Normed Fit Index: .978; CFI: .983, RMSEA: .10); redundant links were also identified. The links reflecting hypotheses H1d, H1h, H1f, H1i, H2a, and H3 exhibited weak standardized t-value coefficients. These paths were subsequently deleted and the model was re-appraised. The final model exhibits a stronger fit than the original one (Chi-square: 9.83,  $df=7$ ,  $p < .19$ , Satorra-Bentler Scaled Chi-Square: 8.74,  $p < .27$ ; CFI:

.986, RMSEA: .050) and the use of Lagrange Multiplier Test and Wald Test indicated that no further link additions or subtractions should be made. Twenty one percent of the variance of the E-I dyad's attainment of competitive advantage measure, is accounted for by its predictors, while for exporter trust the variance explained reached twenty five percent. The final model, with significant Maximum Likelihood (ML) coefficients presented in standardized form, is in Figure 2.

**[Insert Figure 2 about here]**

The total and indirect effects were also computed (ML estimations - standardized values) and appear in Table 3. The following section discusses the findings.

**[Insert Table 3 about here]**

## **5. Discussion of Results and Implications**

We investigated the impact of a subset of critical factors, highlighted in previous research, that illuminate how exporters and importers jointly create and maintain competitive advantages in international markets. Specifically, we examined the impact of export offering (product and price aspects) and import objectives upon the E-I dyad's attainment of competitive advantage. Findings are important and highlight issues that need to be considered by management in both export and import firms.

### **5.1 Hypotheses' Testing**

In terms of specific hypotheses' tests, all but *H1d*, *H1h* and *H1i* are confirmed. Table 4 provides a summary of the hypotheses that have been accepted and those refuted.

**[Insert Table 4 about here]**

First, PTS has a direct effect (*H1a*) (with  $\frac{2}{3}$  of its total influence: .15 out of .23) and an indirect effect ( $\frac{1}{3}$  of its total influence: .08) upon the E-I dyad's attainment of

competitive advantage (mediated through product and service quality characteristics - Table 3). Product and service quality characteristics (*H1c*) alongside setting imports as a corporate objective (*H1g*) also have a positive and significant influence upon the E-I dyad's attainment of competitive advantage. As expected, price competitiveness (*H1f*) and trust towards the exporter were not linked with the E-I dyad's attainment of competitive advantage (*H3*); finding that are in line with previous research (Aulakh *et al.*, 1996; Cavusgil and Zou, 1994; Jap, 1999; Tesar and Moini, 1998).

Second, we find that trust upon the exporter is influenced by product and service quality characteristics as well as price competitiveness confirming *H2b* and *H2c*. As we hypothesized (*H2a*), PTS does not directly influence trust, but its effect is mediated through product and service quality characteristics (Table 3). Product and service quality characteristics have in fact the greatest overall total effect upon trust (with a respective coefficient of .48 against .13 for PTS and .13 for price competitiveness).

Third, we stated a series of hypotheses that examined the interrelationship between export offering variables and importer strategic objective. We confirmed the hypothesis that product and service quality characteristics are influenced by PTS (*H1b*). Next, we hypothesized that price competitiveness was influenced by both PTS (*H1d*) as well as product and service quality characteristics (*H1e*). While we confirmed *Hypothesis H1e*, we found that PTS's direct effect upon price competitiveness (*H1d*) was not significant. A possible explanation for this is the following: while Cavusgil and Zou (1994) linked industry technology orientation with price competitiveness, we examined technological sophistication at the product level. Products that are more innovative in their respective category may not necessarily be price competitive. Nonetheless, PTS was found to

have some weak and indirect effect upon price competitiveness (0.09), this effect being mediated through product and service quality characteristics (Table 3). Apparently, the importer will form a favorable impression of pricing terms about a sophisticated and innovative product only if such product is accompanied by product and service quality characteristics.

Fourth, we hypothesized that setting imports as a corporate objective was influenced by PTS (*H1h*), product and service quality characteristics (*H1i*), and price competitiveness (*H1j*). From these, only *H1j* was accepted, much in line with previous research (e.g., Birou and Fawcett, 1993; Min and Galle, 1991) who found lower cost to be a critical *import motivation* factor. Notably though, the variance of the dependent variable (i.e., setting imports as a corporate objective) that was explained was very weak (adjusted  $R^2$ : .04 percent). Our rationale for setting this hypothesis was that increased export supplier performance in terms of PTS, product quality and exceptional service levels, as well as price competitiveness may trigger the import partner to set imports as a strategic objective (Liang and Parkhe, 1997). Our findings imply that export offering aspects, a product-level construct, is weakly connected with setting imports as a corporate objective which is a higher order firm-level strategy construct.

## **5.2 Exporter Strategy: Product and Price Aspects**

The subset of product aspects examined in this study, appear to be a precursor regarding achievement of competitive advantage in international markets and set the stage for the rest of the exporter-importer exchange. In agreement with Tuten and Urban (2001) who argue that technology is a major reason to enter a partnership, we find that product technology sophistication contributes to the E-I dyad's attainment of



competitive advantage. PTS reflects export firm strategic decisions regarding the extent of product innovativeness and technology embodied in the product launched across international markets. But, PTS will have little effect on the export firm's competitive advantage if not accompanied by quality in product and operations that serve in securing the E-I dyad's advantage in foreign markets.

In light of the above, we refine previous findings that suggested that while international vendor choice is made along two dimensions: vendor characteristics (such as location and size) and bid characteristics (including both product and service-related factors), international buyers would sacrifice the best bid for larger vendor size and closer vendor location (Hakansson and Wootz, 1975). As Liang and Parkhe (1997) explained, buyers will have a greater opportunity to pursue the best bid in domestic settings, but they are more likely to choose a vendor that minimizes supply failure in the riskier international setting. Our findings support and extend the above as we show that importers greatly value quality of product and operations. Lack of exporter performance on these aspects will exacerbate international buyers' perceived risk, will reduce any firm product-technology related competitive advantages and will also minimize the international buyer's trust upon the exporter.

### **5.3 Importer's Strategy: Importance of Imports**

Nonetheless, considering only exporter strategy aspects may not provide a complete picture. Our analysis demonstrates that both export marketing strategy (i.e., product mix and price) and import related forces (i.e., importer's strategy for imports), while distinct, they coexist in serving the E-I dyad's attainment of competitive advantage. This picture confirms, but also refines Liang and Parkhe's (1997) contention

that international exchange should be better conceptualized as buyer-coordinated importing rather than producer-initiated exporting (p. 495). Import firms possess their own agenda; management may aspire upon imports for further firm growth against domestic competitors or against domestic sources of supply. Our findings suggest that the greater the role of imports on importer strategy the greater the competitive advantage against competitors. This finding is in line with Frear *et al.*, (1995) who argued that lack of top-management support and strategic direction are major internal barriers to successful importing. Our findings lend support to the notion that top management is instrumental both in seeking import initiation and in maintaining imports as part of their corporate growth strategy. A contention may be that the possession of competitive advantage will fuel management aspirations for imports-led growth and not vice versa. Our data suggest that the direction of the effect is from setting imports as a corporate objective upon the E-I dyad's attainment of competitive advantage and not the opposite.

Although there is a positive correlation between trust and competitive advantage (Table 2), in line with Aulakh *et al.* (1996), we find that trust does not have a unique contribution in explaining variance in partnership performance. This finding could reflect the fact that professional buyers are trained to focus on objective evidence that demonstrates the superiority of the product offering, rather than subjective assessments of trust. These are consistent with Doney and Cannon's (1997) findings who argued for domestic market buyer-seller relationships that trust "operates as an 'order qualifier', not an 'order winner' ". Order qualifiers are "those criteria that a company must meet for a customer to even consider it as a possible supplier" (Hill, 1994, p. 33).

## **6. Conclusions**

What matters for attaining superior competitive advantage in international markets? For the importer, it is necessary to obtain a superior offering. The first aspect of this offering is product technology sophistication, the second aspect is quality in both product and operations (e.g., warranties, timely and reliable product delivery and after-sales support). These allow importers to operate in the market frontline knowing that they are not exposed. For the exporter, it is necessary to select a motivated importer whose strategic objectives are aligned with importing the particular product. This implies that the importer will allocate the necessary resources for attaining competitive advantage. Therefore, the E-I dyad's attainment of competitive advantage depends upon a) the exporter to produce the right products and also support the products right, and b) the importer whose business strategy places substantial weight upon imports that serve as a vehicle for growth and efficiency gains. Therefore the resource profiles of the two partners that form the E-I dyad have significant implications on the achievement of competitive advantage (Das and Teng, 2000). As both parties bring complementary resources that need to be strategically aligned we conclude that it takes two to tango.

## **7. Limitations and further research**

Several areas need to be considered for future research. First of all, this is a single-country study and a limited subset of critical factors was considered. A more comprehensive set of variables should be examined including the dyad's complementary marketing resources and capabilities. Future research may consider

examining export-import pairs (both the exporter and importer), an approach likely to produce substantial insights.

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**Table 1: Confirmatory Factor Analyses: Standardized Loadings (ML estimations), Measure Reliabilities**

| Scale and Items  | Standardized loadings |
|--|-----------------------|
| <b>Exporter Trust</b> ( <i>Satorra-Bentler Chi-square: .01, 1 d.f., p: .90, CFI: 1.00, RMSEA: .000, Reliability <math>\alpha</math>: .89</i> )                             |                       |
| Exporter keeps promises  | .89                   |
| Exporter is fair and trustworthy   | .81                   |
| Exporter helps in urgent circumstances   | .78                   |
| <b>Setting Imports as a Corporate Objective</b> ( <i>Satorra-Bentler Chi-square: 1.65, 1 d.f., p: .20, CFI: .98, RMSEA: .05, Reliability <math>\alpha</math>: .73</i> )    |                       |
| Ability to achieve further firm growth through imports   | .77                   |
| Economies of scale from imports  | .76                   |
| Prospects for additional sales/profits from imports  | .70                   |
| <b>Product and Service Quality Characteristics</b> ( <i>Satorra-Bentler Chi-Square: 6.32, 5 d.f., p: .27, CFI: .99, RMSEA: .03, Reliability <math>\alpha</math>: .76</i> ) |                       |
| Provision of after-sales service   | .81                   |
| Product quality  | .71                   |
| Provision of warranties  | .67                   |
| Timely and reliable product deliveries   | .60                   |
| Easiness of ordering, transport and custom clearance   | .60                   |
| <b>Product Technological Sophistication</b> ( <i>Satorra-Bentler Chi-square: .01, 1 d.f., p: .91, CFI: 1.00, RMSEA: .000, Reliability <math>\alpha</math>: .80</i> )       |                       |
| Intensity of product technology  | .85                   |
| Product innovativeness   | .72                   |
| Degree of industrial processing  | .66                   |
| <b>Price Competitiveness</b> ( <i>Satorra-Bentler Chi-square: .14, 1 d.f., p: .70, CFI: 1.00, RMSEA: .000, Reliability <math>\alpha</math>: .70</i> )                      |                       |
| Attractive transport prices  | .74                   |
| Attractive product prices  | .72                   |
| <b>The Dyad's Relative Competitive Advantage</b>   |                       |
| Importing this product provided attainment of specific competitive advantage against competitors   |                       |

**Table 2: Product Moment Correlation Coefficients**

| <b>Factors</b>                              | <b>Code</b> | <b>S1</b> | <b>S2</b>        | <b>S3</b> | <b>S4</b> | <b>S5</b> | <b>S6</b> |
|---|-------------|-----------|------------------|-----------|-----------|-----------|-----------|
| Product Technology Sophistication           | <b>S1</b>   | 1.00      |                  |           |           |           |           |
| Product and Service Quality Characteristics | <b>S2</b>   | .24***    | 1.00             |           |           |           |           |
| Price Competitiveness                       | <b>S3</b>   | n.s.      | .35***           | 1.00      |           |           |           |
| Imports as a Corporate Objective            | <b>S4</b>   | n.s.      | .12 <sup>+</sup> | .12**     | 1.00      |           |           |
| Trust                                       | <b>S5</b>   | n.s.      | .42***           | .29***    | n.s.      | 1.00      |           |
| The Dyad's Relative Competitive Advantage   | <b>S6</b>   | .21**     | .34***           | .21**     | .31***    | .20**     | 1.00      |

+  $p < .10$ , \*  $p < .05$ , \*\*  $p < .01$ , \*\*\*  $p < .001$

**Table 3 Total and Indirect Effects<sup>1</sup>**

**Total effects**

COMPET. ADVANTAGE: .23 (PTS) + .28 (Quality) + .047 (Price) + .29 (Corp. Object.)

QUALITY: .27 (PTS)

PRICE: .09 (PTS) + .31 (Quality)

CORPOR. OBJECTIVES: .01 (PTS) + .05 (Quality) +.16 (Price)

TRUST: .13 (PTS) + .48 (Quality) +.13 (Price)

***Indirect effects***

COMPET. ADVANTAGE: .08 (PTS) + .01 (Quality) + .047 (Price) + .00 (Corp. Object.)

QUALITY: .00 (PTS)

PRICE: .09 (PTS) + .00 (Quality)

CORPOR. OBJECTIVES: .01 (PTS) + .05 (Quality) +.00 (Price)

TRUST: .13 (PTS) + .04 (Quality) +.00 (Price)

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<sup>1</sup> A figure of .00 indicates lack of indirect effect (that is all effect is direct).

**Table 4 Summary of Hypotheses and Findings**

| <b>Hypothesis (Summary)</b>  | <b>Hypothesized Effect</b> | <b>Findings</b> |
|--|----------------------------|-----------------|
| H1a: PTS influences competitive advantage                                      | H1a (+)                    | Confirmed       |
| H1b: PTS influences quality  | H1b (+)                    | Confirmed       |
| H1c: Quality influences competitive advantage                                  | H1c (+)                    | Confirmed       |
| H1d: PTS influences price competitiveness                                      | H1d (+)                    | <i>Refuted</i>  |
| H1e: Quality influences price competitiveness                                  | H1e (+)                    | Confirmed       |
| H1f: Price competitiveness does not influence competitive advantage            | H1f (=)                    | Confirmed       |
| H1g: Setting imports as a corporate objective influences competitive advantage | H1g (+)                    | Confirmed       |
| H1h: PTS influences setting imports as a corporate objective                   | H1h (+)                    | Refuted         |
| H1i: Quality influences setting imports as a corporate objective               | H1i (+)                    | Refuted         |
| H1j: Price competitiveness influences setting imports as a corporate objective | H1j (+)                    | Confirmed       |
| H2a: PTS does not directly influence trust                                     | H2a (=)                    | Confirmed       |
| H2b: Quality influences trust  | H2b (+)                    | Confirmed       |
| H2c: Price competitiveness influences trust                                    | H2c (+)                    | Confirmed       |
| H3: Trust does not influence competitive advantage                             | H3 (=)                     | Confirmed       |

Figure 1: The Conceptual Model

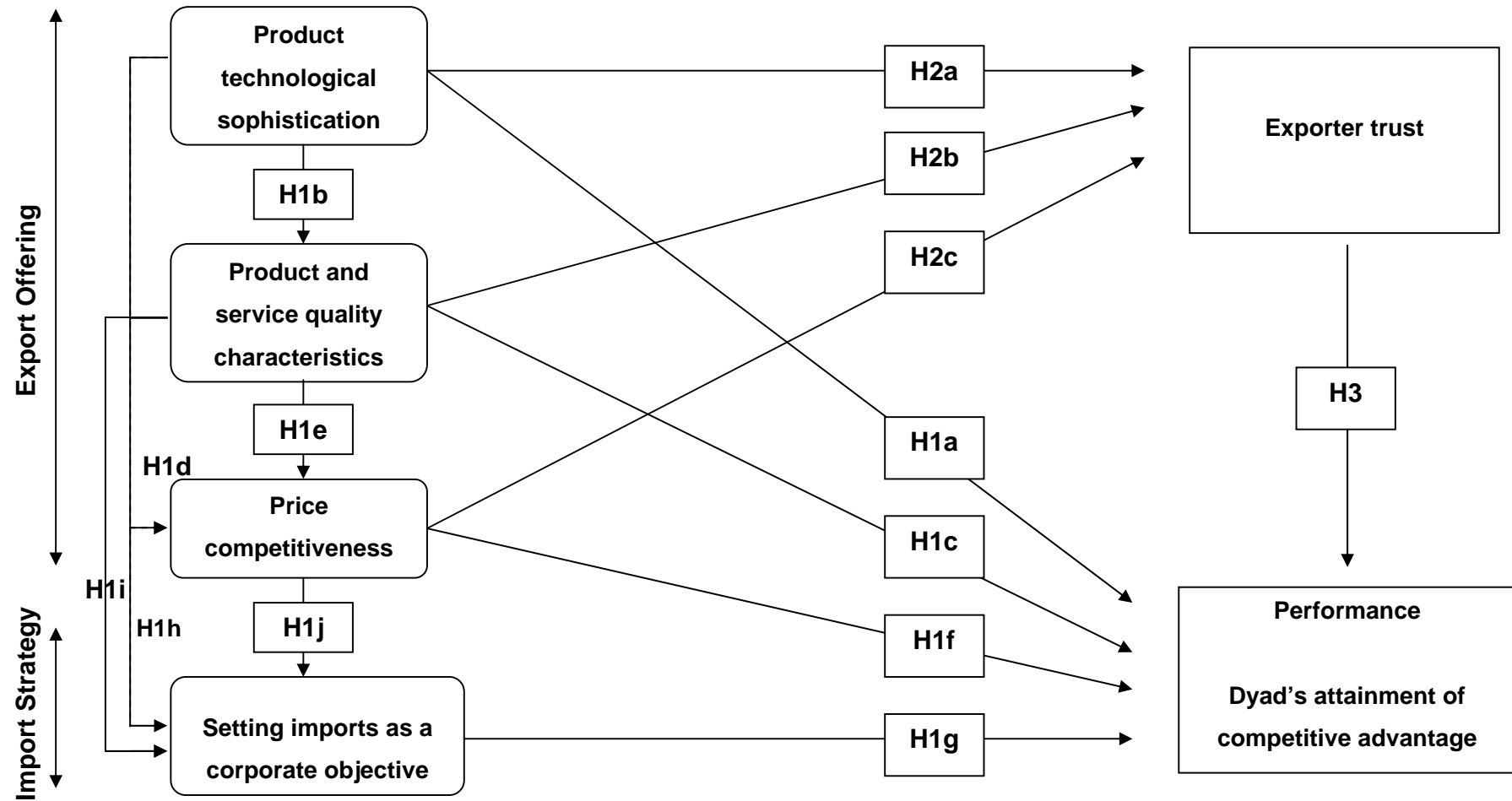


Figure 2: Final Model

